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CHAIRMAN'S MESSAGE – Leonard Blocka

The 2005-2006 Dairy Year was the second year of the transition to the new market reality of producing only for the domestic market. With a year of experience to draw on, producers generally performed more effectively under the constraints placed on the production management system. Producers are again to be congratulated for their collective action which led to the province as a whole finishing the dairy year at 99.89% of its quota allocation.

At its June, 2006 policy planning meeting, Milk Board members spent considerable time reviewing the effectiveness of various policies in existence in the last dairy year, taking into full account the suggestions and concerns expressed at the spring producer meetings. A special bulletin was distributed in mid-July, outlining changes which would come into place in the new dairy year. These include: a 15% cap on quota swapping (in or out); 10% of private quota sales to be placed on the Quota Exchange (a reduction from the 20% previous requirement); and the re-introduction of the 97% maintenance requirement for producers in the first, six month reconciliation period, regardless of whether the province as a whole is over 97% of its six month quota allocation.

More details of these and other policy changes are highlighted in the 2006-07 Quota Policy document included with this mail out.

Please note the time and place for the fall round of joint Milk Control Board/Dairy Farmers of Saskatchewan producer meetings. A special feature will be a full presentation on the operation of the quota management system as it relates to producer quota adjustments and 4m holdings. Please make every effort to attend the producer meeting in your area to also receive current information on the state of the industry, and to participate in various policy discussions.

On behalf of the Milk Board members and staff, I wish you a most successful 2006-2007 dairy year.

QUOTA EXCHANGE

The first butterfat Quota Exchange of the 2006-2007 dairy year was conducted on September 15, 2006. There was no market-clearing price established for the Unused or Used Quota Exchange. The results of the September 2006 Quota Exchange are outlined in the following Tables.

The next monthly Quota Exchange for the 2006-2007 dairy year will be held on October 16, 2006. All offers to sell and bids to purchase quota through the Quota Exchange must be received at the Board office by midnight October 6, 2006. The Board recommends that offers and bids be submitted well in advance of the deadline date to ensure adequate time for corrections, if necessary.

Just a reminder to producers that when making bids on the Quota Exchange, the price on offers to sell quota is the minimum price that the producer is prepared to accept for that quota. Only if the market-clearing price is equal to or greater than the producer's minimum price will that producer qualify for participation in the Exchange.

Conversely, the price on offers to purchase quota is the maximum price that the producer is prepared to pay for that quota. Only if the market-clearing price is equal to or less than the producer's maximum price will that producer qualify for participation in the Exchange.

The clearing price is established at the price where the smallest difference exists between the accumulated volume offered for sale and the accumulated volume bid to purchase. To determine the clearing price of Total Production Quota, the bids to buy may be adjusted to five percent of annual production quota issued. This is necessary to avoid price distortion from excessively large bids.

TABLE I

UNUSED QUOTA EXCHANGE (per kilogram of butterfat)

Market Clearing Price per kilogram of butterfat	**$ ----**
Kilograms offered to Purchase – total	**8,480**
Kilograms offered to purchase at 5% adjustment	
Kilograms offered to Sell	**9,552**
Kilograms sold	**0**
Number of Producers	
- offered to purchase	**5**
- purchased quota	**0**
- offered to sell	**6**
- sold quota	**0**

UNUSED QUOTA EXCHANGE

Price ($/kg b.f.)	No. of Sellers	Cumulative Sellers	Kgs b.f. offered for sale	Cumulative sales	Cumulative Sales less Cumulative purchases	Cumulative purchases	Kgs b.f. offered to purchase	Cumulative Buyers	No. of buyers
62.32	0	0	0	0	-8,480	8,480	6,000	5	1
63.00	0	0	0	0	-2,480	2,480	120	4	1
65.00	2	2	5,589	5,589	3,229	2,360	180	3	1
66.00	0	2	0	5,589	3,409	2,180	2,000	2	1
68.00	1	3	712	6,301	6,121	180	0	1	0
70.00	2	5	2,926	9,227	9,047	180	180	1	1
72.00	1	6	325	9,552	9,552	0	0	0	0

TABLE II

USED QUOTA EXCHANGE (per kilogram of butterfat)

Market Clearing Price per kilogram of butterfat	**$ -----**
Kilograms offered to Purchase – total	**-------**
Kilograms offered to Sell	**-------**
Kilograms sold	
Number of Producers	
- offered to purchase	
- purchased quota	
- offered to sell	
- sold quota	

USED QUOTA EXCHANGE

Price ($/kg b.f.)	No. of Sellers	Cumulative Sellers	Kgs b.f. offered for sale	Cumulative sales	Cumulative Sales less Cumulative purchases	Cumulative purchases	Kgs b.f. offered to purchase	Cumulative Buyers	No. of buyers
------	0		0				0		0

QUOTA SWAP EXCHANGE

The first Quota Swap Exchange of the 2006-2007 Dairy Year was conducted on September 15, 2006. There was no market-clearing price established. The results of the Quota Swap Exchange are outlined in the following Table.

The next monthly Quota Swap Exchange will be held on October 16, 2006. All offers to swap quota through the Quota Exchange must be received at the Board office by midnight, October 6, 2006. The Board recommends that offers and bids to swap be submitted well in advance of the deadline date to ensure adequate time for corrections, if necessary.

Just a reminder to producers that when making bids on the Quota Swap Exchange, the price on offers to swap out unused quota is the minimum price that the producer is prepared to accept for that quota. Only if the market-clearing price is equal to or greater than the producer's minimum price will that producer qualify for participation in the Quota Swap Exchange.

Conversely, the price on offers to swap in unused quota is the maximum price that the producer is prepared to pay for that quota. Only if the market-clearing price is equal to or less than the producer's maximum price will that producer qualify for participation in the Quota Swap Exchange.

The clearing price is established at the price where the smallest difference exists between the accumulated volume offered to swap out and the accumulated volume offered to swap-in.

TABLE III

QUOTA SWAP EXCHANGE (per kilogram of butterfat)

Market Clearing Price per kilogram of butterfat	**$——**
Kilograms offered to swap in	
Kilograms offered to swap out	
Kilograms swapped	
Number of Producers	
- offered to swap in	**—**
- swapped in quota	**—**
- offered to swap out	**—**
- swapped out quota	**—**

QUOTA SWAP EXCHANGE

Price ($/kg b.f.)	No. of Sellers (swap out)	Cumulative Sellers (swap out)	Kgs b.f. offered to swap out	Cumulative swaps out	Cumulative swaps out less Cumulative swaps in	Cumulative purchases (swap in)	Kgs b.f. offered to swap in	Cumulative Buyers (swap in)	No. of buyers (swap in)

BUTTERFAT PRODUCTION AND COMPONENT PRICING, AUGUST 2006

Butterfat production for August 2006 totalled approximately 640,810 kilograms. This was approximately 4.66% lower than August 2005 shipments. **For the first month of the 2006-2007 dairy year, Saskatchewan's allocation of Total Production Quota totalled approximately 674,927 kilograms. In the first month, the province has shipped 94.95% of that amount.**

The weighted average component tests and prices for the province in August are indicated in Table IV.

TABLE IV

Components	Average Test	Price per kilogram Class 1 to 5
Butterfat	3.6621	$11.129900
Protein	3.2477	$ 8.129899
Other Solids (S.N.F.)	5.6604	$ 1.166146

Based on the average component tests for the province, the average price received was $73.7634 per hectolitre. The average butterfat price received per kilogram was $20.14.

SASKATCHEWAN MILK POOL RESULTS August 2006

TABLE V

Milk Sale Revenue	$ 12,572,578.44
Western Milk Pool	$ 423,244.47
Dairy Farmers of Canada Skim Off	$ -18,810.20
Plant of Last Resort Service	$ -55,523.33
Total Pool Value	**$ 12,921,489.38**

ACCOUNTING VALUES FOR CLASSES OF MILK – September 2006

TABLE VI

	Butterfat ($/kg)	**($ per hl. Skim milk)**	
Class 1a	$5.3000	$51.59	
Class 1b	$5.3000	$51.59	
Class 1c	$5.3000	$44.50	
	Butterfat ($/kg)	**Protein ($/kg)**	**Other Solids ($/kg)**
Class 2	$7.2333	$5.3140	$5.3140
Class 3a	$7.2333	$12.4158	$0.8291
Class 3b	$7.2333	$12.1853	$0.8145
Class 4a, 4b, 4d & 4d(i)	$7.2333	$4.9346	$4.9346
Class 4a(i)	$7.2333	$1.5000	$1.5000
Class 4c	$7.2333	$4.2497	$4.2497
Class 4m	$0.00	$0.00	$0.00
Class 5a	$3.0441	$4.6596	$0.3229
Class 5b	$3.0441	$1.7005	$1.7005
Class 5c	$3.3740	$2.0000	$2.0000
Class 5d	**As determined by**	**the CDC**	

CLASS I PRICE DECREASE – September 1, 2006

The Alberta Cost of Production formula is the pricing mechanism for targeting the Western Milk Pool Class 1 price. The Alberta Energy and Utilities Board (AEUB) consider this formula a useful guide to assist it in the exercise of its discretion in prescribing the minimum price of Class 1 milk. On August 16, 2006, the AEUB announced the price for Class 1 milk in Alberta decreased by $0.98 per hl. Accordingly, Saskatchewan decreased the Class 1 price by $0.98 per hl. effective September 1, 2006. Some cost factors contributing to the price reduction were Alberta dairy feed, fuel and utilities decreases.

PRODUCER PAYMENT SYSTEM TRANSFERRED TO MILK CONTROL BOARD

After several months of development and testing, the new producer payment system became operational on August 1, 2006. The full transition from Agrifoods International Cooperative Ltd. means all producer statements and payments will now be generated from the Milk Control Board office.

YEAR END 4m REFUND

At year-end, the Board held a total of approximately $1.4 million in over quota dollars. In accordance with Board policy, producers will be refunded their 4m holdings from the 2005-2006 dairy year.

The Board will make refund payments through the milk pay system. The refund will be shown as a separate line on producer statements for their September month-end payment. This payment will be received by producers who are on EFT on October 13, 2006.

Please note only producers who had 4m over quota dollars held at year end will receive these payments.

QUOTA MANAGEMENT TABLES

Please find enclosed your quota management results for August, 2006. These Tables indicate the percentage of each producer's quota allocation utilized as well as the kilograms of butterfat produced by these shipments.

For the 2006-2007 dairy year, the Board will continue to provide these Tables on a monthly basis. We hope this information will assist producers with their management decisions regarding the utilization of their butterfat quota. Again, we will use actual figures where possible, and estimates for the balance of the dairy year. These estimates will use butterfat average for the past five dairy years and your production figures for the past dairy year.

If you have any questions concerning the information provided, please contact our office.

QUOTA POLICY AND QUOTA LICENSE

Included in this mail-out is the Saskatchewan Milk Control Board Quota Policy for the 2006-2007 dairy year for your information. Also included is your Quota License that indicates your August 1, 2006 Total Production Quota. If you have any questions with regard to the policy or your quota license, please do not hesitate to contact our office.

JOINT MILK CONTROL BOARD/DAIRY FARMERS OF SASKATCHEWAN PRODUCER MEETINGS

The Board and DFS are pleased to announce that they will once again hold the next session of producer meetings as a joint effort. Please plan to attend. An agenda will be sent to producers with the October newsletter. The schedule of meetings will be as follows:

Date	Time	District	Location
Friday, October 27	10:00 a.m.	Swift Current	F.O.A. Eagles 1910 Service Rd. W, Swift Current
Monday, October 30	10:00 a.m.	Yorkton	St. Mary's Parish, Ukrainian Catholic Cultural Center 240 Wellington St. Yorkton
Tuesday, October 31	10:00 a.m.	Francis	Francis Hall, Francis
Thursday November 2	10:00 a.m.	Saskatoon	Travelodge Hotel Galaxy Room 106 Circle Drive, Saskatoon
Friday, November 3	10:00 a.m.	Melfort	Travelodge 101 Spruce Haven Rd., Melfort

Dairy Farmers of Saskatchewan will conduct its Annual General Meeting (AGM) as a separate event this year. The AGM will be held at the Hilton Garden Inn in Saskatoon, with a program running the afternoon and evening of Wednesday, November 8th and the morning of Thursday, November 9th. Please mark your calendar and plan to attend. There will be more information regarding the event in the next edition of Dairy Farmers of Saskatchewan newsletter.

QUOTA LISTING SERVICE

The Board offers a free quota listing service as part of its Newsletter. Anyone wishing to sell or purchase quota and/or cows, or swap quota is welcome to contact the Board office at (306) 787-5319. All prices and negotiations will be independent of the Milk Control Board.

For Sale

- 14 Holstein heifers bred Black Angus starting to calve September, October, November. Contact Dorothy Scheidt (306) 748-2817

- Alfalfa hay bales 1,400 pounds – young crop. Hay located in Tessier, Saskatchewan. Contact Carol Robbins (403) 859-2097

Wanted to Rent

- Wanted to rent, as soon as possible, dairy farm in good operating condition, preferably around the Saskatoon area. Free stall barn and parlour for 60 – 100 cows needed. Please phone: (604) 820-2387 or fax: (604) 826-1254.

Partnership

- Looking for a person to form a dairy farm partnership. Must have some financial resources to make a 50/50 or 40/60 or similar partnership. Will consider investing in an existing farm operation. Please call (604) 826-5184.

MILK CONTROL BOARD MEMBERS

Leonard Blocka, Chairman	Dairy producer
Dr. David Christensen	Dairy researcher/professor U of S
Joseph Guenther	Dairy producer
David Finlay	Dairy producer
Garf Stevenson	Consumer representative
Joanne Mortenson	Processor representative

For further information, please contact the Saskatchewan Milk Control Board office.

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